

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: April 19, 2006

Division: Employee Services

Bulk Item: Yes X No

Department: Risk Management

Staff Contact Person: Maria L. Slavik

AGENDA ITEM WORDING: Approval to accept proposal from Marsh USA for Property Insurance package through Lexington Insurance Company and Landmark American Insurance Company not to exceed \$564,338. Marsh is continuing their efforts to obtain more favorably priced insurance. It is also being requested that authority be granted to Risk Management to accept an alternative proposal from Marsh if it is believed to provide equal or superior coverage for a lower premium.

ITEM BACKGROUND: Provides replacement cost property insurance coverage for county buildings, contents, communication towers and contractors equipment with a current value of \$157,535,175 .

PREVIOUS REVELANT BOCC ACTION: Approval to bid this coverage at 11/19/03 Board meeting.

CONTRACT/AGREEMENT CHANGES: This proposal results in a premium increase of \$212,338. As a result of a recent appraisal, the County learned that the value of its property is currently \$157,575,175. This represents an increase of \$66,505,354 in the County's total insured values as a result of a recent appraisal. This increase will have a significant impact on the cost of the County's property insurance for the upcoming year.

STAFF RECOMMENDATIONS: Approval.

TOTAL COST: \$564,338

BUDGETED: Yes X No

COST TO COUNTY: \$564,338 **SOURCE OF FUNDS:** primarily ad valorem

REVENUE PRODUCING: Yes No X **AMOUNT PER MONTH** **Year**

APPROVED BY: County Atty  OMB/Purchasing Risk Management

DIVISION DIRECTOR APPROVAL:


TERESA E. AGUIAR

DOCUMENTATION: Included X To Follow Not Required

DISPOSITION:

AGENDA ITEM #

MONROE COUNTY BOARD OF COUNTY COMMISSIONERS

CONTRACT SUMMARY

Contract with: Marsh USA, Inc. Contract #_____

Effective Date: 5/1/06

Expiration Date: 5/1/07

Contract Purpose/Description:
Property Insurance Renewal

Contract Manager:	<u>Maria Slavik</u>	<u>3178</u>	<u>Employee Services #1</u>
	(Name)	(Ext.)	(Department/Stop #)

for BOCC meeting on 4-19-07 Agenda Deadline: 4-4-2006

CONTRACT COSTS

Total Dollar Value of Contract: \$ \$564,338 Current Year Portion: \$ _____

Budgeted? Yes ☒ No ☐ Account Codes: 503-08502-530-450-

Grant: \$ _____

County Match: \$ _____ - _____ - _____ - _____ - _____

ADDITIONAL COSTS

Estimated Ongoing Costs: \$_____/yr
(Not included in dollar value above)

For: _____
(eg. maintenance, utilities, janitorial, salaries, etc.)

CONTRACT REVIEW

	Date In	Changes Needed	Reviewer	Date Out
Division Director	<u>4-4-06</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>SS Aguilar</u>	<u>4-4-06</u>
Risk Management	<u>4-4-06</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>M. Daniel</u>	<u>4-4-06</u>
O.M.B./Purchasing	<u>4/4/06</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>Sharon Egan</u>	<u>4/4/06</u>
County Attorney	<u>4/4/06</u>	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>	<u>S. Huth</u>	<u>4/4/06</u>

Comments: _____

INTERISK CORPORATION

Consultants

Risk Management
Employee Benefits

1111 North Westshore Boulevard
Suite 208
Tampa, FL 33607-4711
Phone (813) 287-1040
Facsimile (813) 287-1041

April 3, 2006

Ms. Maria Slavik
Risk Management Specialist
Monroe County
502 Whitehead St.
Key West, Florida 33040

Subject: Renewal of the County's Property Insurance

Dear Maria:

I have received a copy of Patrica Ibba's email indicating that Marsh has been unable to finalize the renewal of the County's Property insurance that expires on May 1, 2006. While every effort has been made to conclude the renewal process prior to the agenda deadline for the April Board meeting, final details of the renewal terms are not currently available. Over the past several years, the number of insurance companies with the capability and desire to provide Property insurance in catastrophic prone areas (such as Monroe County) has significantly declined and those that remain have reduced their employee workforce. The decline in the number of insurers and employees has resulted in significant delays in obtaining renewal proposals. In some cases organizations have not received the final renewal terms until long after the renewal date.

The following table displays the structure of the County's current Property program.

Insurer	Limits	Annual Premium
Lexington Insurance Company	\$5,000,000	\$352,000
Landmark American	\$92,029,821	\$58,218
Total		\$410,218

The premiums were based on total insured values of \$97,029,821.

The program is subject to the following deductibles.

Buildings and Personal Property with Total Values of less than \$250,000	\$50,000
Buildings and Personal Property with Total Values of more than \$250,000	\$100,000
Wind and Hail	\$1 million
Contractors Equipment	\$5,000 except \$50,000 for Windstorm & Hail
EDP Equipment & Media	\$5,000 except \$50,000 for Windstorm & Hail
Communication Towers	\$5,000 except \$50,000 for Windstorm & Hail
Flood	\$500,000 for real property and \$500,000 for personal property
Boiler and Machinery	\$5,000

Since the Landmark policy excludes all flood related claims, the program has a \$5 million sub-limit for flood losses.

Recognizing that wind and flood losses could produce a financial burden for the County, separate coverage from Federally and State sponsored programs have been purchased that reduces the deductible for wind losses to 3% of the value of the buildings damaged and between \$500 and \$5,000 for flood related losses.

As a result of a recent appraisal, the County learned that the value of its property is currently \$157,535,175. This represents an increase of \$66,505,354 (60%) in the County's total insured values. This increase will have a significant impact on the cost of the County's property insurance for the upcoming year.

Marsh has advised that Lexington Insurance Company has agreed to renew its policy (\$5 million of coverage) for an annual premium of \$444,738. While this represents an increase of \$92,738 (\$444,738-\$352,000), the fact that the total insured values increased dramatically, the proposal actually represents a rate reduction. The following displays this fact.

2005 Insured Values	\$97,029,821
2005 Premium	\$352,000
Rate per \$100 of Insured Values	\$0.3627
2006 Insured Values	\$157,535,175
2006 Premium	\$444,738
Rate per \$100 of Insured Values	\$0.2823

While Marsh has not finalized its negotiations for the balance of the program, preliminary indications are that the premium for the Landmark policy will be no higher than \$119,600. Currently the County is paying \$0.06 per \$100 of insured values for the Landmark policy. Assuming the final premium for the 2006 policy does increase to \$119,600, the rate per \$100 of insured values will be \$0.075. This would represent a 25% rate increase. This increase is well within industry standards.

The terms and conditions of the renewal policies will be the same except the flood deductible will be 5% of the value damaged, subject to a \$1 million minimum. Since the National Flood Insurance Program (NFIP) only offers maximum limits of \$500,000, the County would have to absorb all losses between \$500,000 and

\$1 million. Marsh is exploring alternatives to reduce or eliminate this exposure, however, the cost may be prohibitive.

Taking everything into consideration, it is believed that Marsh will ultimately develop a program that is viewed as being favorable. It is therefore recommended that the Board grant the County Administrator with the power to bind the property insurance with Lexington Insurance Company and Landmark Insurance Company if the total cost does not exceed \$564,338.

As always, please do not hesitate to call if you have any questions.

Cordially,

INTERISK CORPORATION

A handwritten signature in cursive script, appearing to read "S G Webber".

Sidney G. Webber
CPCU, ARM

CC: Teresa Aguiar